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MINISTRY OF LAW

New Delhi, the 19th January, 1956

THE LIFE INSURANCE (EMERGENCY PROVISIONS) ORDINANCE, 1956

NO. 1 OF 1956

Promulgated by the President in the Sixth Year of the
Republic of India.

An Ordinance to provide for the taking over, in the public
interest, of the management of life insurance business
pending nationalisation of such business.

WHEREAS it is expedient in the public interest that life insurance
business should be nationalised;

AND WHEREAS it is expedient that pending such nationalisation
adequate steps should be taken to protect the interests of policy
holders;

AND WHEREAS Parliament is not in session and the President is
satisfied that circumstances exist which render it necessary for
him to take immediate action;

Now, THEREFORE, in exercise of the powers conferred by clause (1)
of article 123 of the Constitution, the President is pleased to pro-
mulgate the following Ordinance:—

1. (1) This Ordinance may be called the Life Insurance (Emergency Provisions) Ordinance, 1956. Short title and commencement.

(2) It shall come into force at once.

2. In this Ordinance, unless the context otherwise requires,— Definitions.

(1) "appointed day" means the date on which this Ordinance
comes into force;

(2) "controlled business" means—

(i) in the case of any insurer specified in sub-clause

(a) (ii) or sub-clause (b) of clause (9) of section 2 of the
Insurance Act and carrying on life insurance business—

(a) all his business, if he carries on no other class
of insurance business;

(b) all the business appertaining to his life insurance business, if he carries on any other class of insurance business also;

(c) all his business, if his certificate of registration under the Insurance Act in respect of general insurance business stands wholly cancelled for a period of more than six months on the appointed day;

(ii) in the case of any other insurer specified in clause (9) of section 2 of the Insurance Act and carrying on life insurance business—

(a) all his business in India, if he carries on no other class of insurance business in India;

(b) all the business appertaining to his life insurance business in India, if he carries on any other class of insurance business also in India;

(c) all his business in India, if his certificate of registration under the Insurance Act in respect of general insurance business in India stands wholly cancelled for a period of more than six months on the appointed day;

(iii) in the case of a provident society, as defined in section 65 of the Insurance Act, all its business;

Explanation.—An insurer is said to carry on no class of insurance business other than life insurance business if, in addition to life insurance business he carries on only capital redemption business or annuity certain business or both; and the expression “business appertaining to his life insurance business” shall be construed accordingly;

(3) “Custodian” means the person appointed under section 4 to take over the management of any controlled business;

(4) “Insurance Act” means the Insurance Act, 1938;

4 of 1938.

(5) “insurer” means an insurer as defined in the Insurance Act who carries on life insurance business in India, and includes a provident society as defined in section 65 of the Insurance Act;

(6) “notified order” means an Order notified in the Official Gazette;

(7) all other words and expressions used herein but not defined, and defined in the Insurance Act, shall have the meanings respectively assigned to them in that Act.

3. (1) On and from the appointed day, the management of the controlled business of all insurers shall vest in the Central Government, and, pending the appointment of a Custodian for the controlled business of any insurer, the persons in charge of the management of such business immediately before the appointed day shall, on and from the appointed day, be in charge of the management of the business for and on behalf of the Central Government; and the controlled business of the insurer shall be carried on by them subject to the provisions contained in sub-sections (3) and (5) and to such further directions, if any, as the Central Government may give to them by notice addressed and sent to the principal officer of the insurer.

Management
of controlled
business to
vest in Gov-
ernment on
commence-
ment of
Ordinance.

(2) Any contract, whether express or implied, providing for the management of the controlled business of an insurer made before the appointed day between the insurer and any person in charge of the management of such business immediately before the appointed day shall be deemed to have terminated on the appointed day.

(3) No insurer shall, without the previous approval of the person specified by the Central Government in this behalf in respect of that insurer (hereinafter referred to as the authorised person),—

(a) make any payment or grant any loan in respect of a policy of life insurance otherwise than in accordance with the normal practice observed by him in respect of such matters immediately before the appointed day;

(b) incur any expenditure from the assets appertaining to the controlled business otherwise than for the purpose of making routine payments of salaries or commissions to employees, insurance agents, special agents or chief agents or for the purpose of meeting the routine day to day expenditure;

(c) transfer or otherwise dispose of any such assets or create any charge, hypothecation, lien or other encumbrance thereon;

(d) invest in any manner any moneys forming part of such assets;

(e) acquire any immovable property out of any moneys forming part of such assets;

(f) enter into any contract of service or agency, whether expressly or by implication, for purposes connected wholly or partly with the controlled business or vary the terms and conditions of any such contract subsisting on the appointed day;

(g) enter into any other transaction relating to controlled business other than a contract relating to the issue of a new

policy of life insurance or vary the terms and conditions of any agreement relating to any such transaction subsisting at the commencement of this Ordinance.

(4) The approval of the authorised person may be given either generally in relation to certain classes of transactions of the insurer or specially in relation to any of his transactions.

(5) Every insurer shall deposit all securities and documents of title to any assets appertaining to the controlled business in any Scheduled Bank in which the insurer had an account immediately before the appointed day or in any branch of the State Bank in the place where the head office or the principal office of the insurer is situated or, where there is no branch of the State Bank in such place, the nearest branch of the State Bank; and no such security or document shall be withdrawn from the Scheduled Bank or the State Bank, as the case may be, except with the permission of the authorised person:

Provided that nothing contained in this sub-section shall apply to any security or document of title kept with approved trustees by reason of the provisions contained in sub-section (6) of section 27 of the Insurance Act, or kept in trust with an Official Trustee in pursuance of the articles of association of an insurer unless the Central Government, by notified order, otherwise directs.

Explanation.—In this sub-section,—

(a) Scheduled Bank means a bank included for the time being in the Second Schedule to the Reserve Bank of India Act, 1934;

^{2 of 1934.}

(b) State Bank means the State Bank of India constituted under the State Bank of India Act, 1955.

^{23 of 1955}

(6) Every insurer shall deliver forthwith at the place and to the person specified in this behalf by the Central Government in respect of that insurer the following documents, namely:—

(i) the minutes book or any other book in India containing all resolutions up to the appointed day of the persons in charge of the management of the controlled business before the appointed day;

(ii) the current cheque books relating to the controlled business which are at the head office or the principal office of the insurer;

(iii) all registers or other books containing particulars relating to the investment of any moneys appertaining to the controlled business including investments on mortgaged properties and all loans granted and advances made otherwise than on policies;

(iv) all brokers' notes or certificates in the possession of the insurer in respect of any orders for the investment of any moneys appertaining to the controlled business:

Provided that if any document specified in this sub-section is relevant for the purpose of any business other than the controlled business carried on by the insurer, the person specified in the notified order shall be bound to return it to the persons in charge of the management of such other business with the least possible delay, but shall have power to place identification marks on such document or to take extracts or copies therefrom.

(7) Without prejudice to the generality of the powers conferred by sub-section (1) and to the provisions contained in sub-sections (3), (5) and (6), any directions issued under sub-section (1) may require the persons in charge of the management of the controlled business of an insurer under this Ordinance to furnish to the Central Government or to the authorised person such returns, statements and other information relating to the controlled business as may be mentioned in the direction.

(8) The persons in charge of the management of the controlled business of an insurer under this Ordinance shall be entitled to such remuneration, whether by way of allowance or salary as the Central Government may fix; and any such person may, by giving a month's notice in writing to the Central Government of his intention so to do, relinquish charge of the management of the controlled business.

4. (1) The Central Government may, as soon as it is convenient administratively so to do, appoint any person as Custodian for the purpose of taking over the management of the controlled business of an insurer.

Power of
Central Gov-
ernment to
appoint
Custodians to
take over
management
of controlle
business.

(2) On the appointment of a Custodian under sub-section (1), all persons in charge of the management of the controlled business of the insurer for and on behalf of the Central Government immediately before such appointment shall cease to be in charge of such management and shall be bound to deliver to the Custodian all books of account, registers or other documents in their custody relating to the controlled business of the insurer.

(3) Nothing contained in sub-sections (3), (5) and (6) of section 3 shall apply to any insurer the management of whose controlled business has been taken over by the Custodian, but the Central Government may issue such directions to the Custodian as to his powers and duties as it deems desirable in the circumstances

of the case, and the Custodian may apply to the Central Government at any time for instructions as to the manner in which he shall conduct the management of the controlled business of the insurer or in relation to any matter arising in the course of such management.

(4) The Custodian shall receive such remuneration as the Central Government may fix; and the Central Government may at any time cancel the appointment of any person as Custodian and appoint some other person in his stead.

~~Powers of
Custodian to
institute
proceedings,
etc.~~ 5. The Custodian may, in relation to the controlled business of any insurer the management of which has been taken over by him, exercise all or any of the powers which the Controller of Insurance or an Administrator appointed under section 52A of the Insurance Act may exercise under section 106 or section 107 of that Act.

~~Compensa-
tion for
management
in controlled
business
vesting in
Central Gov-
ernment.~~ 6. The amount of compensation payable in respect of the vesting in the Central Government of the management of the controlled business of an insurer shall, for every month during which the management thereof remains vested in the Central Government, be a sum which is equivalent to one-twelfth of the annual average of the share of the surplus allocated to shareholders as disclosed in the abstracts prepared in accordance with Part II of the Fourth Schedule to the Insurance Act in respect of the last two actuarial investigations relating to the controlled business as at dates earlier than the first day of January, 1956:

Provided that, if in respect of the controlled business of an insurer no such surplus as is referred to in this sub-section has been allocated to shareholders either because there are no shareholders or for any other reason, the compensation shall be payable at the rate of one rupee per month for every two thousand rupees or part thereof of the premium income of the insurer relating to his controlled business during the year 1954.

~~Compensa-
tion, how to
paid and
distributed.~~ 7. (1) The amount of compensation payable under section 6 shall in the first instance be payable out of the seven and a half per cent. of the surplus referred to in sub-section (1) of section 49 of the Insurance Act earned by the insurer during the period the management of the controlled business of the insurer vests in the Central Government, and where such compensation or any part thereof cannot be so paid out the Central Government shall make due provision for the payment of such compensation or part thereof as the case may be.

(2) The compensation payable under section 6 shall be distributed among the persons entitled thereto by the Central Government in such manner as may be prescribed by rules made in this behalf:

Provided that in the case of an insurer who is a company the Central Government shall have due regard to the wishes of the members expressed by them at any general meeting convened for the purpose.

8. If any person—

Penalties.

(a) fails to deliver to the Custodian any books of account, registers or any other documents in his custody relating to the controlled business of an insurer in respect of the management of which the Custodian has been appointed; or

(b) retains any property of such insurer appertaining to the controlled business of the insurer; or

(c) fails to comply with the provisions contained in sub-section (3) or sub-section (5) or sub-section (6) of section 3; or

(d) fails to comply with any directions issued under sub-section (1) or sub-section (7) of section 3;

he shall be punishable with imprisonment which may extend to six months, or with fine which may extend to one thousand rupees, or with both.

9. No proceeding for the winding up of an insurer the management of whose controlled business has vested in the Central Government under this Ordinance or for the appointment of a Receiver in respect of such business shall lie in any court.

10. In computing the period of limitation prescribed by any law for the time being in force for any suit or application against any person by an insurer in respect of any matter arising out of his controlled business, the time during which this Ordinance is in force of limitation shall be excluded.

11. The provisions of this Ordinance shall have effect notwithstanding anything inconsistent therewith in any other law or in any instrument having effect by virtue of any other law.

12. The Central Government may, by notified order, direct that all or any of the powers exercisable by it under this Ordinance may also be exercised by any such person as may be specified in the order.

13. (1) No suit, prosecution or other legal proceeding shall lie against any Custodian or authorised person in respect of anything which is in good faith done or intended to be done under this Ordinance.

(2) No suit or other legal proceeding shall lie against the Central Government or any Custodian or authorised person for any damage caused or likely to be caused by anything which is in good faith done or intended to be done under this Ordinance.

Exemptions.

14. Nothing contained in this Ordinance shall apply to—

- (a) any insurer in respect of the management of whose affairs an Administrator has been appointed under section 52A of the Insurance Act;
- (b) any insurer whose business is being voluntarily wound up or is being wound up under the orders of a court;
- (c) any insurer to whom the Insurance Act does not apply by reason of the provisions contained in section 2E thereof;
- (d) any approved superannuation fund as defined in clause (a) of section 58N of the Indian Income-tax Act, 1922; or ^{11 of 1922.}
- (e) any insurance business carried on by the Government.

Power to make rules.

15. (1) The Central Government may, by notified order, make rules to carry out the purposes of this Ordinance.

(2) In particular, and without prejudice to the generality of the foregoing power, rules made under sub-section (1) may provide for—

- (a) the form and manner in which books of accounts appertaining to controlled business shall be maintained by insurers;
- (b) the manner in which any compensation payable under this Ordinance may be paid to the persons entitled thereto;
- (c) the circumstances in which the remuneration payable to persons in charge of the management of the controlled business of an insurer under this Ordinance or to Custodians shall be met by the Central Government, whether wholly or in part.

RAJENDRA PRASAD,
President.

—
K. Y. BHANDARKAR,
Secy. to the Govt. of India.